

Recurring success: Top subscription payment trends to watch!

**Exploring the main trends and strategies
to implement your subscription base in
this year.**

1. The customer experience is the number one priority

Competition is increasing more each day. The leadership position you may have once had in your category is quickly becoming muddled by a sea of competitors. This, conversely, means that your customers now have more choices than ever before. Following the status quo, simply doing what you've always done in the past, won't do much to

maintain their loyalty or pique the interest of new customers. You must change how you engage with customers—with a focus on improving all aspects of the customer experience—to keep your business steadily growing. This is especially true for subscription-based businesses.



Convenience is key

Providing a simple and convenient payment experience is critical for the long-term success of your subscription business. Your customers must be able to pay how they want and when they want while also providing multiple “self-service” account management options, so they can upgrade, downgrade, pause, cancel, or change the frequency of their subscription online or even via email or text.



As subscriptions become popular, new regulations follow

- Updated policies around free trials and first-time customer promotions.
- Increased restrictions on free samples or introductory trial subscriptions.
- Clearer communications around billing and payments.
- Added visibility around the entire customer journey.

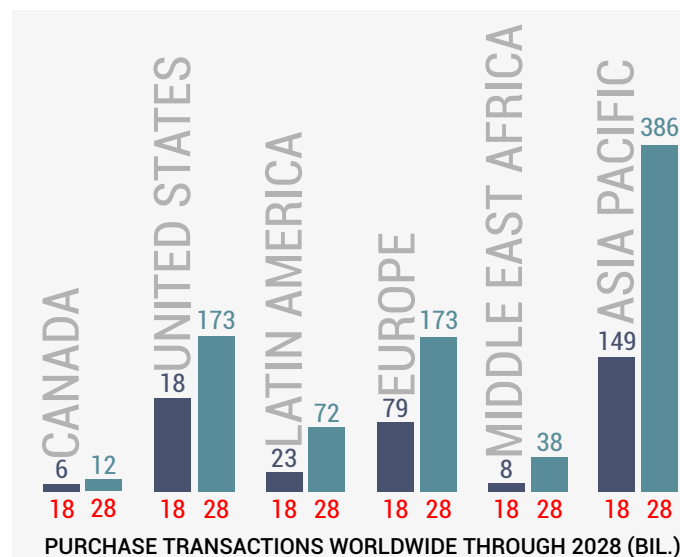
2. Today's consumers primarily pay with cards

Cashless payments

Cashless payments are becoming a key driver of economic activity. This isn't because people necessarily have more expendable income but rather because of technology's ability to simplify the sending and receiving of payments.

In fact, some countries, like Sweden and South Korea, are moving away from cash altogether. Cash transactions in Sweden, for example, [account for less than two percent of payments in 2018](#). The result has helped shrink the “gray economy,” boost e-commerce, and reduce fraud. Because payment cards (debit/credit), financial apps, and other innovative tech solutions make it easier to send and receive money than ever before, they've been able to drive significant financial and non-financial benefits by increasing the fluidity of economic activity.

As a matter of fact, debit and credit cards are projected to generate nearly [\\$854 billion in general purchases online in 2028](#) — an 132 percent increase compared to 2018, which also represents a 13.2 percent compound annual growth rate.



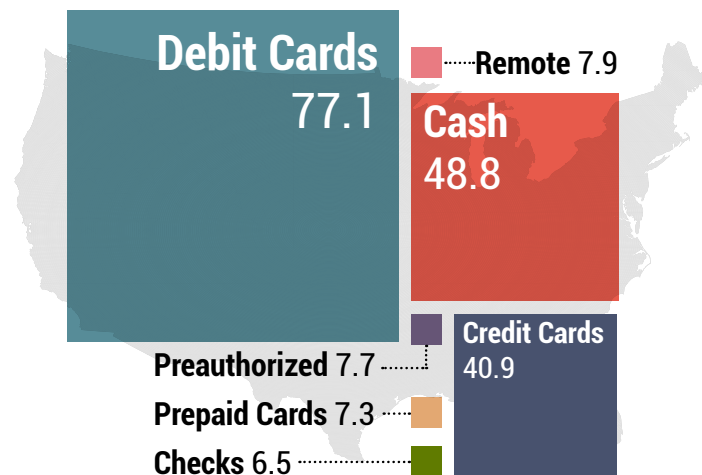
Source: The Nilson Report, 2020

Credit, debit, and prepaid cards

Distinguishing between the different types of cards consumers use to make their purchases can be critical based on where you sell your products and services around the world.

Credit and debit cards account for the vast majority of online transactions. As a refresher, debit cards are linked directly to a customer's bank, allowing them to spend money by drawing on deposited funds only. Credit cards, on the other hand, allow customers to borrow and repay money from the card issuer—up to a certain limit—to make purchases or to withdraw cash.

We've also seen the use of prepaid cards increase significantly since 2018, **growing to \$396 billion in 2020** from \$198 billion merely two years ago.



CONSUMER PAYMENT SYSTEMS IN THE U.S.
PURCHASE TRANSACTIONS IN 2018 (BIL.)

Source: The Nilson Report, 2019

A quick note about authorization rates

Whenever a card-based transaction takes place, a card issuer must receive and verify the transaction. If funds are available, the issuer will send an authorization code back to the card network to

complete the transaction or reject the transaction if the funds are not available.

The goal of any merchant is to increase its authorization rate over time. To do this, businesses must be aware of issuer-specific authorization data, transaction size, and currency requirements and regularly do the following:

- Submit authorization requests at an optimal day of the week and time of day.
- Identify card types that negatively impact authorization rates.
- Compare transaction routing methods to identify the highest performing method.



3. Fintech: New ways of doing business

Fintech is, as the name suggests, the merging of finance and tech into a wide array of new players quickly gaining marketing share in the payment space.

Let's take a quick look at two well-known fintech players that will likely play a major role as you continue to develop your subscription business:



Apple Pay accounts for **400M active users globally and two percent of global payments**. Still a relatively new service, these numbers are expected to grow significantly in the coming years—especially as contactless payments become more widely accepted around the world.



PayPal wins the award for the most checkouts of any existing "digital wallet," accounting for **300M active users globally and 22 percent of global payments**. Its key advantages include:

- **Global reach:** makes cross-border shopping easy.
- **Multiple payment methods:** helps improve payment acceptance rates.
- **Convenience:** a central place where consumers can cancel orders and subscriptions.

Additionally, pervasive or "frictionless" payment solutions—**projected to reach \$4.6 trillion in global digital transactions by 2021**—are starting to play

a more prominent role in this new and growing fintech-driven economy, including:

Peer-to-Peer (P2P) payments

Simply put, P2P means people can send each other money seamlessly via apps on their digital or mobile devices that are linked to their bank accounts and/or debit or credit cards. This has made splitting bills at restaurants with friends and family effortlessly simple.

PayPal, Google, and Venmo (now owned by PayPal) were the first players in the space. Now, P2P payments have been made more widely available through banks and credit unions as well as via social media channels, like Facebook.

In 2019, PayPal-owned **Venmo** grew its total payment volume by 70 percent y/y for a total of 24 billion transactions in a single quarter while **Zelle** grew both total payment volume by 56 percent and transaction volume by 71 percent.

Banks are now leading the P2P space. In 2018, consumers transferred more than \$172 billion in bank-to-bank transfers vs. \$142 billion transferred via PayPal.



Tech companies as banking institutions

Through unique partnerships and M&A activity, the blending of tech companies and banks is becoming a mainstay in providing consumers with better, more innovative banking solutions.

Voice-based purchases

Voice-based commerce (aka, “v-commerce”) is an emerging space for payment services, especially knowing that there are **53 million people projected**

to have access to a voice-enabled device by 2022.

This will account for roughly 40 percent of online or mobile shoppers. Currently, most voice-based purchases relate to a single sale but could easily play a big role in recurring or subscription-based payments in the future. There is still a lot unknown about how to use voice-based payments for these kinds of transactions, including how to manage subscription opt-ins and mitigate potential fraud risks.



4. The new rule of global expansion

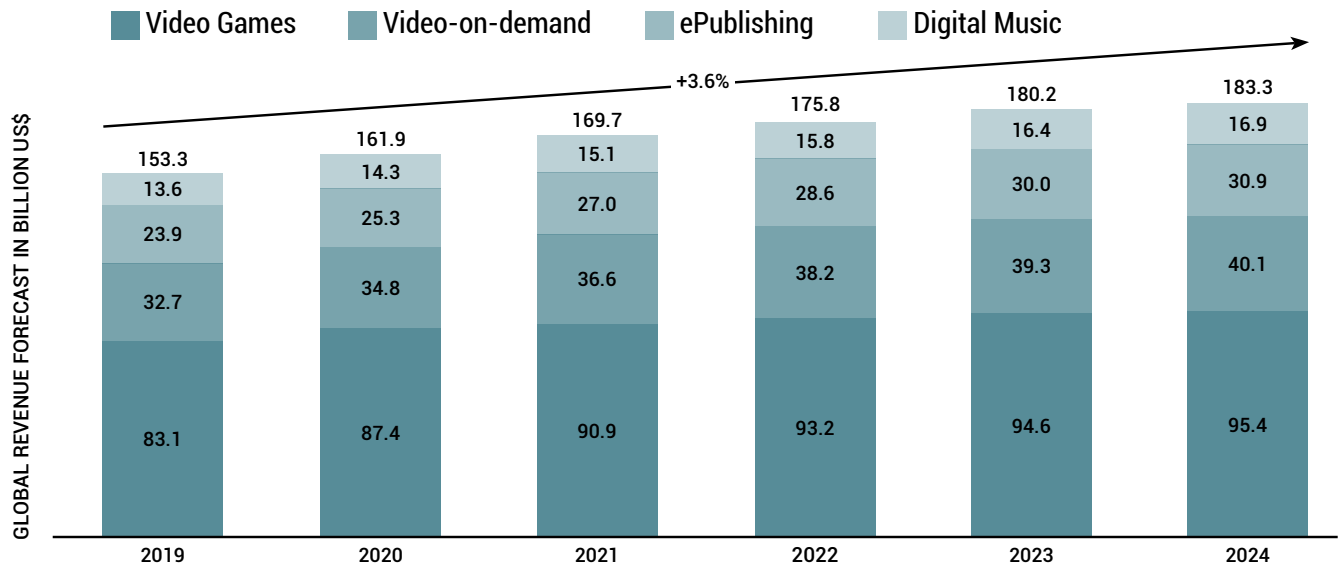
The world is more accessible and “open for business” than ever before. Expanding your e-commerce business into new, global markets can still, however, be a challenge.

Running a global business goes beyond simply allowing consumers to purchase your products and services in local currencies—or even providing a choice of currencies to transact in—but also requires you to be mindful of the local rules, regulations, and taxes (including cross-border fees) that officially establish your e-commerce business within new global markets and regions.

Being “local” in how you grow your business globally is, therefore, the key to success. This will help you drive increased conversions and grow global subscriptions when done right.

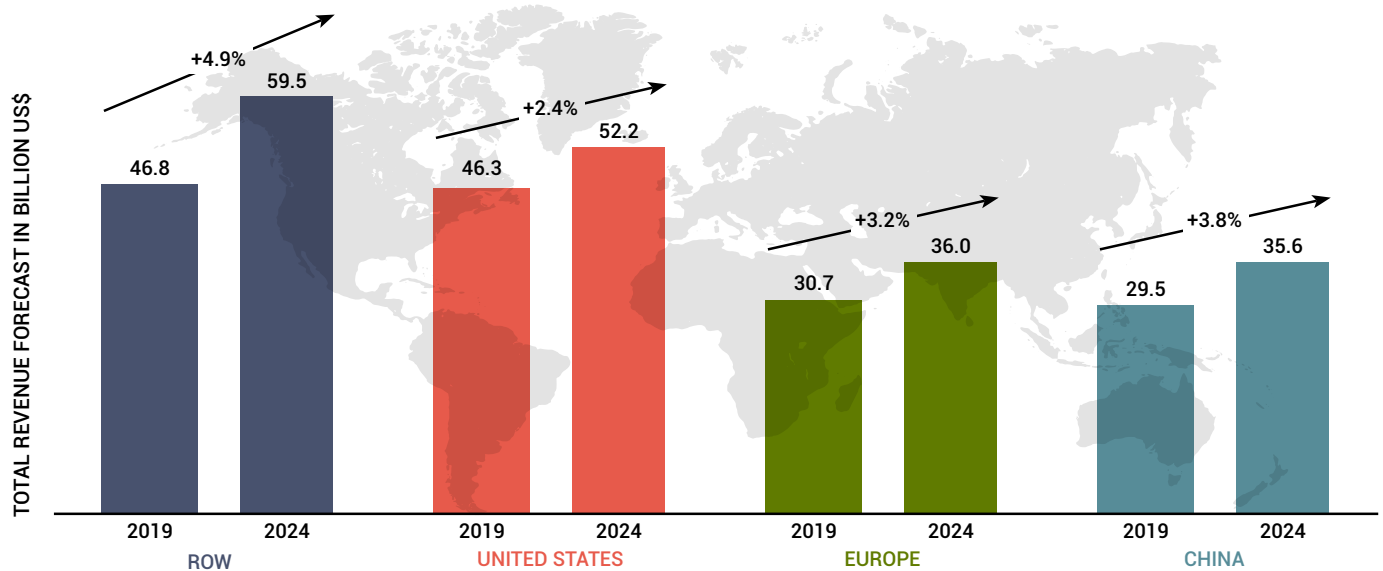
If you have thought about expanding your business globally, be sure to consider the following:

- Global digital media revenue is expected to grow to \$183.3 billion by 2024.



Source: Subscription Insider

- Even though the United States and Europe are quickly reaching market saturation, China and the rest of the world (ROW) are poised to grow significantly.



Source: Subscription Insider

- As a new trade deal is being reached with China, U.S.-based banks and the major credit card companies (Visa, Mastercard, AMEX) will finally have easier access to the world's second largest economy and its billions of consumers.
- Following the signing of new global agreements between Paypal and China UnionPay, Chinese merchants will now have the ability to transact with American consumers easily.

To go global, you must act local. As your business expands into new regions and markets, be sure to adhere to local regulations and enable transactions in local currencies—these are the keys to increasing conversion and driving revenue growth at a global scale.

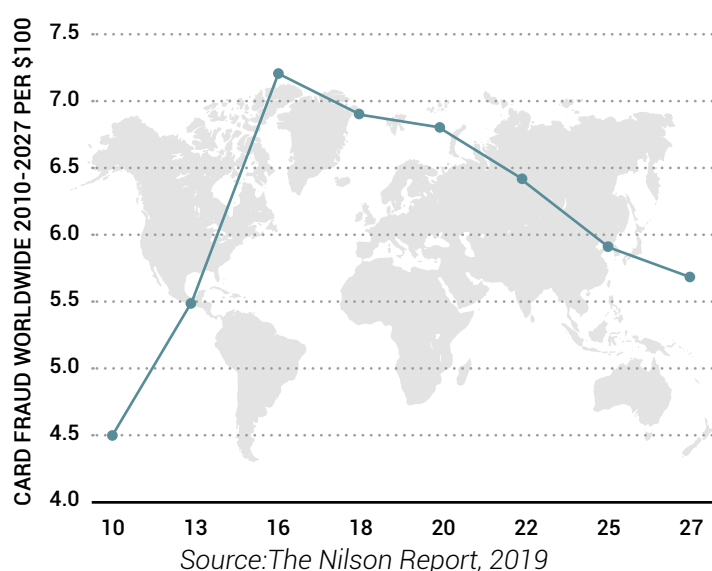
5. Fraud is constantly evolving

Fraud is sophisticated

Data breaches. Bots and card testing. Account takeovers. SIM-card swapping. What's next?

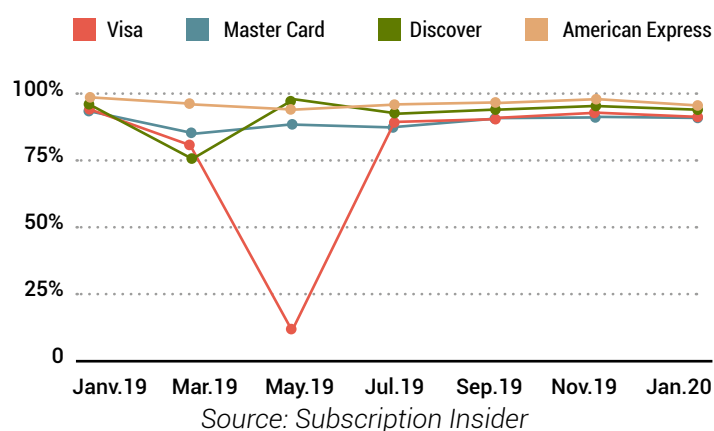
One thing is clear: fraud can happen in a limitless number of ways. Voice-based commerce is a perfect example of a new payment system ripe for becoming a hotbed of fraudulent activity.

While it may be true that how fraud occurs continues to increase and diversify, the amount lost from fraudulent activities is finally beginning to decrease. This is due in part to the rise in more advanced and sophisticated fraud detections systems, many of which are now powered by artificial intelligence (AI) and machine learning. As a result, merchants are becoming more adept at navigating and managing the current fraud landscape. This is a trend that we anticipate continuing for years to come.



Bot Attacks

APPROVAL RATE BY METHOD OF PAYMENT



Recently, there was a Visa payments attack aimed at harming a specific merchant. The goal was to negatively impact that merchant's authorization rates by using bots to initiate multiple rejected payments over the course of a few months. This would have normally been detected much earlier had the merchant already implemented an advanced fraud detection program.

The moral of the story: investing in a fraud detection program is much more valuable than suffering the long-term repercussions of an attack. Relying on a trusted partner, like Nexway, to build and implement this kind of program for you can save you a lot of time and money.

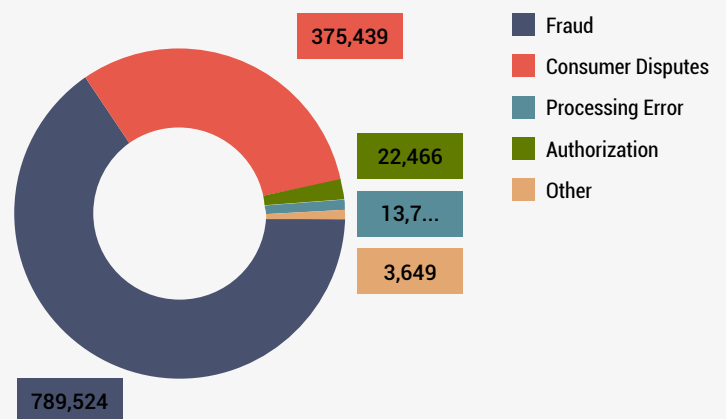


Chargebacks

Payment issuers and debit or credit card brands have spent a lot of time and energy to reduce the volume of disputed transactions. Nevertheless, chargebacks continue to increase.

After fraud, chargebacks are the second more common way merchants lose revenue. To reduce the number of subscription-related chargebacks, **you must make it easy for your customers to cancel or pause their subscriptions before the next billing cycle.** And don't forget to test and improve the customer experience to ensure that, regardless of whether a customer is doing this via their computer or their mobile device, the experience is consistent across the board. Improving the customer experience alone can lead to a significant decline in chargebacks.

CHARGEBACK BY REASON



Source: Subscription Insider

To reduce all kinds of fraud, you must have a flexible and innovative technological solution in place, one that can quickly detect instances of fraud while also enabling "self-service" subscription management to minimize chargeback volume. New technologies, like AI and biometrics, are especially playing a critical role in promoting greater payment security while driving added convenience for consumers.

Lastly, as we've already mentioned earlier, consumers have more choice in terms of how they pay for online purchases today. This has fueled the growing trend of e-commerce businesses leveraging merchant accounts more and more to manage and accept debit and credit payments from a variety of payment processors in a more streamlined way.

Key takeaways

5 to-do's to fuel your subscription program today

1. Create a better customer experience built around "self-service" subscription management.
2. Invest in real-time payment systems to enable faster, cheaper, and more secure payments.
3. Accept emerging payment methods and other digital wallet services.
4. Take your business global by being knowledgeable about and adhering to local regulations.
5. Implement sophisticated AI-tools to detect fraud and minimize chargebacks.

Streamlined recurring payment management is the key to a successful subscription program — one that effectively drives new leads while also minimizing churn and fraud.





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to the next level?**

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